

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Tamarack District Library	County Mecosta
Fiscal Year End 6/30/06	Opinion Date 9/18/06	Date Audit Report Submitted to State 11/16/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

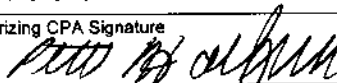
**NO**

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Vredevelde Haefner LLC		Telephone Number 616 460 9388	
Street Address 4001 Granada Ct		City Grand Rapids	State MI
		Zip 49534	
Authorizing CPA Signature 		Printed Name Peter Haefner	License Number 1102003198

**TAMARACK DISTRICT LIBRARY  
LAKEVIEW, MICHIGAN**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2006**



*Vredeveld Haefner LLC*

# TAMARACK DISTRICT LIBRARY

## TABLE OF CONTENTS

FINANCIAL SECTION	PAGE
Independent Auditors' Report	1
Basic Financial Statements	
<b>Government-wide Financial Statements</b>	
Statement of Net Assets	4
Statement of Activities	5
<b>Fund Financial Statements</b>	
Balance Sheet - Governmental Funds	6
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	10
<b>Notes to Financial Statements</b>	11-16



*Vredeveld Haefner LLC*

CPA's and Consultants

4001 Granada Ct.  
Grand Rapids, MI 49534  
FAX (616) 828-0307

Douglas J. Vredeveld, CPA

(616) 446-7474

Peter S. Haefner, CPA

(616) 460-9388

## INDEPENDENT AUDITORS' REPORT

September 18, 2006

Members of the Library Board  
Tamarack District Library  
Lakeview, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Tamarack District Library, Lakeview, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Tamarack District Library. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The Tamarack District Library has not presented management discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund for the Tamarack District Library as of June 30, 2006, and the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Vredeveld Haefner LLC*

# TAMARACK DISTRICT LIBRARY

## STATEMENT OF NET ASSETS

JUNE 30, 2006

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>Assets</b>	
Cash and certificates of deposit	\$ 273,066
Capital assets, net	
Land	134,996
Construction in progress	120,217
Buildings, equipment and infrastructure	<u>51,805</u>
<b>Total assets</b>	<u>580,084</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	114,421
Unearned revenue	<u>11,433</u>
<b>Total liabilities</b>	<u>125,854</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	307,018
Unrestricted	<u>147,212</u>
<b>Total net assets</b>	<u>\$ 454,230</u>

The accompanying notes are an integral part of these financial statements.

# TAMARACK DISTRICT LIBRARY

## STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED JUNE 30, 2006**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary government</b>					
Governmental activities					
Culture and recreation	\$ 215,006	\$ 12,984	\$ 3,060	\$ 33,249	\$ (165,713)
<b>Total primary government</b>	<b>\$ 215,006</b>	<b>\$ 12,984</b>	<b>\$ 3,060</b>	<b>\$ 33,249</b>	<b>(165,713)</b>
General revenues					
Property taxes					115,272
County penal fines					67,359
State revenues					8,334
Interest earnings					7,620
<b>Total general revenues and transfers</b>					<b>198,585</b>
Change in net assets					32,872
Net assets, beginning of year					421,358
<b>Net assets, end of year</b>					<b>\$ 454,230</b>

The accompanying notes are an integral part of these financial statements.

# TAMARACK DISTRICT LIBRARY

## GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

JUNE 30, 2006

	<u>General</u>	<u>Library Construction</u>	<u>Total</u>
<b>Assets</b>			
Cash and certificates of deposit	\$ 235,788	\$ 37,278	\$ 273,066
<b>Total Assets</b>	<u>\$ 235,788</u>	<u>\$ 37,278</u>	<u>\$ 273,066</u>
<b>Liabilities and fund balance</b>			
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 113,070	\$ 1,351	\$ 114,421
Deferred revenue	11,433	-	11,433
<b>Total Liabilities</b>	<u>124,503</u>	<u>1,351</u>	<u>125,854</u>
<b>Fund balances</b>			
Unreserved			
Undesignated	111,285	35,927	147,212
<b>Total liabilities and fund balance</b>	<u>\$ 235,788</u>	<u>\$ 37,278</u>	<u>\$ 273,066</u>

The accompanying notes are an integral part of these financial statements.

# **TAMARACK DISTRICT LIBRARY**

## **RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS**

**JUNE 30, 2006**

<b>Fund balances - total governmental funds</b>	<b>\$ 147,212</b>
---	-------------------

Amounts reported for *governmental activities* in the statement of net assets are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets (net)	<u>307,018</u>
----------------------------	----------------

<b>Net assets of governmental activities</b>	<b><u>\$ 454,230</u></b>
--	--------------------------

The accompanying notes are an integral part of these financial statements.



# **TAMARACK DISTRICT LIBRARY**

## **GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>General</u>	<u>Library Construction</u>	<u>Total</u>
<b>Revenues</b>			
Taxes	\$ 104,470	\$ -	\$ 104,470
Intergovernmental			
State revenues	8,334	-	8,334
County penal fees	67,359	-	67,359
Township	10,802	-	10,802
Fees and charges	10,694	-	10,694
Interest	7,034	586	7,620
Miscellaneous	5,596	33,003	38,599
<b>Total revenues</b>	<u>214,289</u>	<u>33,589</u>	<u>247,878</u>
<b>Expenditures</b>			
Current			
Library			
Personnel	102,050	-	102,050
Contractual	18,670	17,178	35,848
Supplies	73,168	1,175	74,343
Capital outlay	112,817	7,400	120,217
<b>Total expenditures</b>	<u>306,705</u>	<u>25,753</u>	<u>332,458</u>
Net changes in fund balances	(92,416)	7,836	(84,580)
Fund balances, beginning of year	<u>203,701</u>	<u>28,091</u>	<u>231,792</u>
Fund balances, end of year	<u>\$ 111,285</u>	<u>\$ 35,927</u>	<u>\$ 147,212</u>

The accompanying notes are an integral part of these financial statements.

# **TAMARACK DISTRICT LIBRARY**

## **RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2006**

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ (84,580)</b>
--	--------------------

Amounts reported for *governmental activities* in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	120,217
Deduct - depreciation expense	<u>(2,765)</u>

<b>Change in net assets of governmental activities</b>	<b><u>\$ 32,872</u></b>
--	-------------------------

The accompanying notes are an integral part of these financial statements.

**TAMARACK DISTRICT LIBRARY**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amount</u></b>	<b><u>Positive (Negative)</u></b>
<b>Revenues</b>				
Taxes	\$ 101,115	\$ 101,115	\$ 104,470	\$ 3,355
Intergovernmental				
State revenues	8,388	8,388	8,334	(54)
County penal fees	65,000	65,000	67,359	2,359
Township	10,802	10,802	10,802	-
Fees and charges	6,100	5,800	10,694	4,894
Interest	900	900	7,034	6,134
Miscellaneous	700	700	5,596	4,896
<b>Total revenues</b>	<b>193,005</b>	<b>192,705</b>	<b>214,289</b>	<b>21,584</b>
<b>Expenditures</b>				
Current				
Library				
Personnel	102,398	102,398	102,050	348
Contractual	19,700	19,970	18,670	1,300
Supplies and other	79,600	79,330	73,168	6,162
Capital outlay	-	-	112,817	(112,817)
<b>Total expenditures</b>	<b>201,698</b>	<b>201,698</b>	<b>306,705</b>	<b>(105,007)</b>
<b>Net changes in fund balance</b>	<b>(8,693)</b>	<b>(8,993)</b>	<b>(92,416)</b>	<b>(83,423)</b>
<b>Fund balance, beginning of year</b>	<b>203,701</b>	<b>203,701</b>	<b>203,701</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 195,008</b>	<b>\$ 194,708</b>	<b>\$ 111,285</b>	<b>\$ (83,423)</b>

The accompanying notes are an integral part of these financial statements.

**TAMARACK DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Tamarack District Library, Lakeview Michigan (the "Library") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

***Reporting Entity***

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Tamarack District Library. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the Library.

***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues are reported in total. The Library has no business-type or fiduciary activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

All individual governmental funds are reported as separate columns in the fund financial statements.

The Library reports the following major governmental funds

The *General Fund* is the general operating fund of the Library. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Library Construction Fund* accounts for the accumulation and disbursement of resources for the construction of a new library building.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resource as they are needed.

***Measurement Focus and Basis of Accounting***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are

**TAMARACK DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants and interest which use a one year collection period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include: (1) principal and interest on long-term debt which is recognized when due.

All Governmental Funds are accounted for on a spending or "flow of financial resources" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available, spendable resources".

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available, spendable resources" during a period.

***Budgets and Budgetary Accounting***

Comparisons to budget are presented for the General Fund. The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Library Director submits to the Library board a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the general funds.
5. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the Library are governed by Michigan Law. The appropriations ordinances are based on the projected expenditures budget of the various functions of the Library. Any amendment to the original budget must meet the requirements of Michigan Law. The Library did amend its budget for the year ended June 30, 2006. Any revisions that alter the expenditures at the activity level within the general fund must be approved by the Library Board.

**TAMARACK DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

***Deposits and Investments***

State statutes authorize the Library to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The Library utilized depository and savings accounts during the year. The Library has not adopted a deposit or investment policy as of year end.

***Capital Assets***

Capital assets, which include property, and, equipment are reported in the governmental activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on capital assets (including infrastructure), is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	40
Equipment	5

**TAMARACK DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

***Deferred Revenue***

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, the Library reported *deferred revenue* for Hinton Township payments to support 2007 operations as follows:

General fund	\$ 11,433
--------------	-----------

***Property Taxes***

The Library receives property taxes collected by Hinton Township and Mecosta County for property taxes which are levied December 1 and payable by February 15. The Library also received a payment in lieu of property taxes from the State of Michigan for property located with a renaissance zone. Property tax revenues are recognized as revenue in the year for which they are levied.

***Grants and Other Intergovernmental Revenues***

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

***Interfund Transactions***

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

***Fund Equity***

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

***Risk Management***

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2006, the Library carried commercial insurance to cover risks of losses. The Library has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

**TAMARACK DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

State law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Library's actual expenditures and budgeted expenditures for the budgeted funds have been shown by activity within a function. The approved budgets of the Library for these budgetary funds were adopted at the line item level. During the year ended June 30, 2006, the Library incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>(Unfavorable)</u>
<b>General Fund</b>			
Capital outlay	\$ -	\$112,817	\$(112,817)

**3. DEPOSITS AND INVESTMENTS**

The balance on the financial statements for cash and certificates of deposits is \$273,066.

This balance is in two financial institutions located in Michigan. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the Library and a specific fund or common account. They are recorded in Library records at fair value.

***Deposit risk***

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. As of year-end, \$81,529 of the Library's bank balance of \$281,529 was exposed to custodial credit risk because it was uninsured and uncollateralized.



**TAMARACK DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**4. CAPITAL ASSETS**

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
<b>Governmental activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$134,996	\$ -	\$ -	\$134,996
Construction in Progress	-	120,217	-	120,217
Total capital assets, not being depreciated	134,996	120,217	-	255,213
<b>Capital assets, being depreciated</b>				
Building and improvements	50,000	-	-	50,000
Equipment	7,575	-	-	7,575
Total capital assets, being depreciated	57,575	-	-	57,575
Less accumulated depreciation for				
Building and improvements	3,005	1,250	-	4,255
Equipment	-	1,515	-	1,515
Total accumulated depreciation	3,005	2,765	-	5,770
<b>Net capital assets, being depreciated</b>	54,570	(2,765)	-	51,805
<b>Governmental activities capital assets, net</b>	<b>\$189,566</b>	<b>\$117,452</b>	<b>\$ -</b>	<b>\$307,018</b>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities</b>	
Culture and recreation	\$ 2,765

**5. COMMITMENTS**

As of year end the Library had outstanding commitments of approximately \$65,000 for design and construction management activities for the library construction project.



*Vredeveld Haefner LLC*  
CPA's and Consultants  
4001 Granada Ct.  
Grand Rapids, MI 49534  
FAX (616) 828-0307

Douglas J. Vredeveld, CPA  
(616) 448-7474  
Peter S. Haefner, CPA  
(616) 460-9388

September 18, 2006

To the Library Board  
Tamarack District Library  
Lakeview, MI

In planning and performing our audit of the financial statements of the Tamarack District Library, for the year ended June 30, 2006, we noted certain matters involving internal control and/or operations which we would like to bring to your attention. These matters were reviewed with management and we will review these matters during future audits.

#### POLICIES AND PROCEDURES

During our audit we noted that the personnel policy document does not identify whether accrued vacation is paid to employees upon termination. We suggest that the personnel policy be updated to address this issue.

During our audit we noted that the Library had not yet adopted a policy for deposits and investments. Current state law requires each governmental unit adopt a deposit and investment policy. We suggest that the Library a deposit and investment as required by state law.

During our audit we noted several credit card transactions which were lacking supporting documentation for the related purchases. Although the purchases were ultimately determined to be appropriate, we suggest that all purchases be documented with supporting information.

#### REPORTABLE CONDITIONS CONSIDERED TO BE MATERIAL WEAKNESSES

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Tamarack District Libraries ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that all of the reportable conditions described below are material weaknesses.

During our audit we noted that the Library was not recording the checking and certificates of deposit accounts and the related transactions of the library construction fund on the general ledger. We believe that the process of recording these accounts and transactions on the general ledger would improve internal controls by facilitating periodic reporting to the board and management of the construction fund balances and activities. We suggest that the dime campaign, learning tree and construction accounts and transactions be recorded on the general ledger and periodic reports of these activities be reviewed by the Library Board.

This report is intended solely for the information and use of the Library Board and Management of the Library, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Orlando Haefner LLC*